

INSTRUCTIONS FOR LOCAL UNIT FISCAL REPORT

FORMS F-65 (MI-2) and F-65 (MI-3)

FISCAL YEARS ENDED BETWEEN JULY 1, 2000 AND JUNE 30, 2001

GENERAL INSTRUCTIONS

Be sure that your form states that it is for periods ended between July 1, 2000 and June 30, 2001. There are two versions of the form. You should complete form F-65 (MI-2) if your unit has less than 5,000 population, or the F-65 (MI-3) if your unit has 5,000 or more population. All counties must file form F-65 (MI-3). Please contact us if you need additional forms.

Due Date

- A.** The F-65 is due within six months (180 days) after your fiscal year end, or 30 days of receiving the form, whichever is later.
- B.** If the local unit of government requests an extension of the filing deadline, then the local unit of government must provide to the Department of Treasury the unadjusted year end trial balance reports, in a form and manner as prescribed by the Department of Treasury, to the Department of Treasury at the time the local unit of government requests the extension. The Department of Treasury shall post these unadjusted year end trial reports on the Department's internet website if the extension is granted.

Filing

Mail one copy of the **original** form, **not a photocopy**. The second copy of the form F-65 is for your files.

Address the form and any correspondence as follows. A pre-addressed mailer is enclosed for your convenience.

**Fiscal Report Coordinator
Local Audit and Finance Division
Department of Treasury, 1st floor
P.O. Box 30728
Lansing, MI 48909-8228
Phone (517) 373-3227**

Source of Information and Reporting Period

- F.** Form F-65 must report ALL financial activity of your governmental unit except for trust and agency funds (see items 12 and 18) and the depreciation in proprietary funds. If multiple audit reports are issued for your unit, the financial data from each audit report must be combined and reported on forms F-65 for your reporting entity. Discretely reported funds shall be reported on the appropriate line(s) of the F-65 form as in prior years.

Report for a **twelve-month fiscal year only**, even if your fiscal year has changed. For example, if you changed from a March to a June year end you would have filed your last F-65 for the year ended March 2000 and you will file your current F-65 for the 12 month period ended June 2001. The activities of the three months of April, May, and June of 2000 will not be covered on either F-65 form.

If you are required to have an audit for the 2000/01 fiscal year, please use the audited numbers. The Local Unit Fiscal Report (for F-65) does **not** satisfy other statutory requirements for audited financial statements required by Public Act 2 of 1968 or the Single Audit Act Amendments of 1996.

If you are not being audited for the current year, prepare form F-65 based on your year-end trial balance.

Chart of Accounts

- G.** The form has been designed to be compatible with the Uniform Accounting System under which all units should currently be maintaining their records. Those units not on the Uniform Accounting System may refer to the "Uniform Chart of Accounts for Counties and Local Units of Government in Michigan," which was revised in January 1984 and updated in September 1989 and distributed to all local units in Michigan. Additional copies of the Uniform Chart of Accounts may be purchased from our office.

Public Inspection

- H.** The Single Audit Act requires that your combined Federal-State form F-65 be available for public inspection upon request. The Act **does not require that a notice be published** of the availability of this report for inspection.

SPECIAL INSTRUCTIONS

Please read carefully the following reporting instructions. References are made to locations on the short (MI-2) and long (MI-3) versions of form F-65.

- (1)** Correct the mailing address as needed at the top of page 1 so that future mailing labels will be corrected. It is important that a street address or post office box be included.
- (2)** It is very important that the labels provided on each form **NOT** be covered over with another label. The numbers above the address on the label is unique to that local unit of government.
- (3)** Do not cover the numbers above the address or use the form for a different local unit of government than the unit named above. Please call 517-373-3227 to request replacement or additional forms.
- (4)** Fill in the date of your fiscal year end in the boxes above part I on the form.
- (5)** Enter the name of your unit at the top of the remaining pages.
- (6)** **Do not** write descriptions or amounts in shaded areas. Shaded areas are reserved for future use, or indicate that a response would be inappropriate. Do not change or cross out printed data.
- (7)** Do not place more than **one amount in a box**. Please combine data for those accounts or funds not listed on the form and report in the applicable "Other" or "All Other" lines on the form as one total amount per box. Retain a worksheet for your records of the amounts, funds and items that were combined.
- (8) Instruction letter item numbers:** We have added the "Special Instructions" item number to the appropriate line or section on the F-65 form. This gives you a ready reference to the detailed instructions as listed. We believe this added feature will assist you when completing the form.
- To illustrate, in part V, line 403, form MI-2, and in part VI, line 507, form MI-3, is the notation "(item 21)." Item 21, titled "Salaries and Wages," on page 3 of these Special Instructions gives additional information regarding the data being requested.

Property Taxes

- (9)** Report as **"property tax revenue"** only property tax collections for your county, municipal or township purposes, including agencies and departments of your unit. Include taxes you levy for the operation of joint or interlocal governmental operations for libraries, fire, police departments, etc. Do not include taxes you collect for other governmental units.
- (10) Special Assessments** — Report as property tax revenue any special assessment levies that meet all the following criteria:
- (a)** The special assessment district and the governmental unit have a common boundary.
 - (b)** The special assessment levy is on an ad valorem basis for all property in the government unit.
 - (c)** The special assessment is not computed based on benefit to the property.
 - (d)** The special assessment is for a general public purpose of the governmental unit, not of a fractional district.

A "general public purpose" special assessment is an assessment levied unit wide for fire, law enforcement, libraries, rubbish, sanitation, etc. It does not include special assessments for fractional districts within the governmental unit for rubbish, street lighting, improvements, utilities, etc.

Property Taxes — Continued

- (11) Your cost of operating a **joint or interlocal** function should be classified as an expenditure. Your cost is the amount transferred to the accounting unit treasurer and is classified as "other current expenditures." Record the amount in the applicable special revenue fund in part IV of form F-65. Also, report this expenditure under "Intergovernmental Expenditures" in part V of MI-2 and part VI of MI-3.

The accounting unit receiving this money from the other participating units should report the collections from other governmental units in part III of MI-2, column (f), "Other Revenue" or in part III of MI-3, column (e), "From Local Government Sources."

Note — Please see items 23 and 24 under "Joint Agencies."

- (12) Report property taxes levied for employee retirement systems in the property tax column in part III of MI-2, column (e), line 317, or in part III of MI-3, column (f), on line 331, "All Other Special Revenue Funds."

Taxes in General

- (13) Do not include or report the share of taxes you collect for, and distribute to, other governmental units.

Report and include the following within the heading of taxes in part I:

- Property taxes for operating your unit and your share of joint agencies*
- Special assessments levied unit wide and as an "ad valorem" tax for general public purposes* *See item (10).*
- Specific taxes
- Trailer taxes
- Excess of roll
- Hotel/motel tax
- Act 198 — Industrial Facilities Tax
- Act 255 — Commercial Facilities Tax
- City/local income tax
- Penalties/interest and fees on tax collections
- Property tax administration fees
- Business, licenses, and permits*
- Nonbusiness licenses and permits
- Cable TV franchise fees
- Real estate transfer tax stamps (county only). Do not report State real estate transfer tax stamp collections.
- An extra voted levy for a specific purpose such as fire, ambulance, parks, etc., or revenue from licenses and permits reported in a special revenue or debt service fund, is reported in part III column (e) on MI-2 and column (f) or (g) as applicable on MI-3.

- (14) **Counties only — Relative tax effort** includes only taxes and penalties levied for the operation of your county government. The Bureau of the Census agreed to allow the county's relative tax effort to be increased by the amount of the interest collected on delinquent county taxes only.

In order to maximize your relative tax effort, report all collections of the four percent property tax administration fee and only the county's portion of the expense of sale, as well as the interest collected on only the county's delinquent taxes (computed as follows), and report in the Delinquent Tax Revolving Fund in part III of MI-3, column (f), line 347.

Computing the county's share of delinquent tax interest — (Should you elect not to use this option, please report interest collected on all delinquent taxes in part III of MI-3, column (h), line 347.)

- a. Divide the total amount of delinquent taxes and special assessments paid from the Delinquent Tax Revolving Fund to all taxing units into the amount of the county's delinquent taxes (county operating, roads and bridges, special levies, debt and county-wide special assessments levied as ad valorem tax, but not special assessments based on benefit).

- b. Multiply the total interest collected on all delinquent taxes for each of the applicable tax levy years, collected this fiscal year, by the county's delinquent tax interest percentage computed in "a." Total these computed interest amounts.

- c. Enter the total computed county interest from "b," plus the total property tax administration fee and the county's share of the expense of sale in part III of MI-3, column (f), line 347.

Other considerations — If you transfer the interest on taxes, the property tax administration fee and/or expense of sale to the General Fund, please report as a "Transfer Out" in part IV, MI-3, column (b), line 447 and a "Transfer In" in part I, MI-3, column (b), line 141.

If the county's share of the expense of sale is recorded as General Fund revenue when collected, report it in part I of MI-3, column (a), line 110.

Report interest earned on the investment of surplus Delinquent Tax Revolving Funds in part III, MI-3, column (i), line 347.

Tax millage Rate

- (15) Please report the tax millage rate data requested in part VI of MI-2, lines 419—423, or in part VII of MI-3, lines 526—530. Report the rate as a decimal (millage), not as a fraction.

Intergovernmental Revenue and Expenditures

- (16) **Intergovernmental Revenue** — Report and include the following within the heading of "Intergovernmental Revenue," not as a tax revenue:

- Swamp land taxes
- Payment in lieu of taxes
- State revenue sharing
- All State grants
- All Federal grants
- Bankhead Jones Forest Reserve
- National/Commercial Forest Reserve
- Fees from exempt housing projects (MCL 125.1415a)

Report other collections from local governmental units as revenue "from local government sources" in the receiving fund's applicable line or column.

- (17) **Intergovernmental Expenditures** — Report all payments to other governmental units for services (police, fire protection, library, road improvements, tax statements, tax assessing, joint purchases of supplies, etc.) in part V, MI-2, on lines 401 and 402, or in part VI, MI-3, on lines 501—506, as applicable. In addition, report and classify these expenditures in the appropriate column and line for the fund or funds charged with the expenditures.

Retirement — Trust and Agency Funds

- (18) **Exclude**, except for taxes listed in Item (12), the assets, liabilities, equity, revenues and expenditures for the employees retirement system, deferred compensation plans and all trust and agency funds from this report.

Transfers from Trust and Agency Funds to other operating funds are not classified and reported as "transfers from other funds" on form F-65. Please report and classify as the appropriate revenue in the receiving fund. For example, report tax collections transfers from the Tax Collection Fund as tax revenue in the receiving fund (General, Fire, Debt Service, etc.), interest earned from investments as interest, etc., and classify transfers from expendable trust funds as contributions and donations or the applicable classification for that specific transaction. (*See item 12.*)

Transfers To/From Other Funds

(19) The total of all transfers **to** other funds must equal the total of all transfers **from** other funds. Please note any exceptions in a footnote. Report as follow:

- MI-2 — "Transfers from Other Funds" are in part I, line 121, and part III, line 318, column (b).
- MI-2 — "Transfers to Other Funds" are in part II, line 225, column (a), and part IV, line 336, column (b).
- MI-3 — "Transfers from Other Funds" are in part I, line 141, column (b), and part III, line 353, column (b).
- MI-3 — "Transfers to Other Funds" are in part II, line 273—277, column (a), part IV, line 453, column (b) and part V, line 472, column (b).

Utility Reporting (Electric, Water, Sewer, etc.), and All Other Enterprise Funds Reporting

(20) a. Do not include or report depreciation on this form.

- b.** In reporting disbursements for capital outlay, report only the amounts actually expended or incurred for this purpose during your fiscal year, including construction in progress. **Note** — These disbursements are classified and reported as increases to fixed assets in your accounting records and audit report (statement of cash flows).
- c.** Report "payments in lieu of taxes" as a transfer to other funds in column (b), part IV, form MI-3 or column (b), part IV, form MI-2 for the applicable fund(s). Report the revenue as a "transfer from other funds" on part I, column (b), line 141, form MI-3 or part I, line 121 on form MI-2.
- d.** Deduct the cost of providing services to the parent government that operates the utility being reported, e.g., hydrant rentals, the cost of street lighting, etc. Report net expenditures after deducting hydrant rental, street lighting expenditures, depreciation, etc.
- e.** Report as **revenue** on form F-65 receipts from contributions, grants, and other sources that are normally reported as contributed capital in accordance with generally accepted accounting principles.

Salaries and Wages

(21) Be sure to enter your government's total salaries and wages in part V of MI-2, line 403, or part VI of MI-3, line 507. Include salaries paid from all funds (general, special revenue, enterprise, internal service, etc.). Per diem payments to board members, special boards or commissions (planning, board of review, elections, etc.) are considered compensation and also included and reported here. Total compensation can be obtained from Federal forms W-3 and 1099.

Agency Reporting

(22) In filling out this report, please use the following guide.

Include in the fiscal activities of your city, county, township, or village:

- Building and parking authorities
- City market authorities
- Housing commission
- Library boards in cities (PA 164 of 1987)
- Local hospital finance authorities
- Port districts (conterminous with city)
- Public transportation authorities

Joint Agencies

(23) If your government has been assigned the primary responsibility for administering the following joint agencies, include all financial activities of such agencies in this report. Otherwise, report only your government's contributions to such agencies. Refer to items 9 through 14 for "Taxes", item 16 for "Intergovernmental Revenue," item 17 for "Intergovernmental Expenditures," item 24 for agencies to exclude, and item 27 for "Transit Subsidy." Some of the joint agencies to include are:

- Joint or interlocal transportation system
- Joint building and parking authorities (city/county)
- Joint water and sewage disposal system (PA 235 of 1947)
- Joint water supply system (PA 130 of 1945)
- District public health department
- District mental health department

Joint Agencies — Continued

- District library (PA 164 of 1955)
- Joint or regional airport
- Community hospital

(24) Exclude the fiscal activities of all agencies, authorities, and joint ventures that are not a part of your entity (governmental unit). These independent entities may include:

- School districts
- Airport authorities
- Irrigation districts
- Joint hospital authorities
- Metropolitan transportation authorities
- Soil conservation districts
- Charter water authorities (PA 4 of 1957)
- Metropolitan districts
- Rubbish and solid waste disposal authorities
- Sewage disposal, water supply system authorities (PA 233 of 1955)
- Water authorities (PA 196 of 1952)
- Water and/or sewage disposal districts (PA 211 of 1956)
- Water management districts

Public Safety Departments

(25) Report the expenditures of combined police/fire departments in part II or IV, depending on whether the expenditures are from the General Fund or Special Revenue Funds. Report on MI-2 in part II, line 212, or part IV, line 322; or on MI-3 in part II, line 236 or part IV, line 432, as applicable. List revenues for the Special Revenue Public Safety Fund in part III of MI-2, line 304, or in part III of MI-3, line 330.

Combined Office of City Clerk/Treasurer

(26) It is preferred that separate activity cost classifications be maintained for the functions and expenditures of the clerk and treasurer with salary and other cost, as applicable, prorated between the two functions. However, if your unit has not maintained separate cost classifications and you are unable to prorate the cost between the separate functions of the clerk/treasurer, report the combined cost of the clerk/treasurer as "Clerk's Office" expenditures in part II of MI-2, line 206 or in part II of MI-3, line 214.

Combined Sewer and Water Funds

On the MI-2, report in lines 312 and 330, within fund No. 590.
On the MI-3, report in lines 343 and 443, fund No. 592.

Transit Subsidy (Paid to Others) — MI-3 Only

(27) An expenditure classification titled "Transit Subsidy" is added to part IV of MI-3, line 430. Report the expenditures to or the transfer of money to other governmental units or private organizations who operate, under terms of a contract, a transit system for your governmental unit. Report the total paid to other agencies who provide transit service to your community in part IV of MI-3, column (d), line 430.

Continue to report and classify expenditures for transit systems operated by your governmental entity in part IV of MI-3, line 440.

Special Assessment Transactions

(28) On the MI-2, report special assessment revenues in part III, line 317, unless the levy is for a utility-type fund. The levy would then be reported on the applicable line for the type of utility. Expenditures are reported in part IV, line 335, except for utility funds.

On the MI-3, report special assessment revenue on the line that classifies how the assessment levy will be spent. Special assessment levies for debt service are reported in part III, line 352. Report levies for utilities in the applicable line: county drain assessments on line 348, Chapter 20 and 21 assessments on line 349, etc. Please refer to item 10 for the criteria to properly classify the special assessment levy. Report expenditures from the levies on the applicable lines in part IV, lines 448—452.

Non-Special-Assessment Debt Service and Capitol Project Funds on the MI-3 are reported in part III, lines 333 and 352 and part IV, lines 452 and 454—472.

Bond Proceeds

(29) **Original bond issue** proceeds for the General Fund are to be reported in part I, line 120 of the MI-2 or column (b), line 140 of the MI-3, and for all other funds except Proprietary Funds, in part III in column (f), of MI-2 or column (j), of MI-3. Bond proceeds for Proprietary Funds are not reported as revenue on form F-65.

For **refunding bonds**, gains or losses on refunding bonds are not reported on the MI-2 or MI-3 as revenue or expenditures. The proceeds from the issuance of the refunding bonds are reported as described above for original bond issues.

Insurance Coverage

(30) Indicate the type and amount of property and liability insurance coverage in part VII, lines 501—506 of MI-2 and part VIII, lines 601—606 of MI-3. Terms used are defined as follows.

- a. The type of coverage is a **pool** if it is established according to Public Act 138 of 1982. Any two or more municipal corporations (governmental units or agencies) may form a group self-insurance pool for the purpose of providing risk management coverage.
- b. You are **self-insured** if you assume responsibility for all or a portion of losses. You may contract with an agent who establishes a depository account into which your money is deposited. The agent administers this account for you and issues checks from this account for all claims plus the agent's commissions or fees as specified in the contract.
- c. A **Self-Insurance Fund**, an internal service fund, is required to be maintained in the general ledger of any unit which adopts a self-insurance program.

Money from the operation of this fund is supplied by appropriation transfers or contributions from the various funds involved to the self-insurance program. Losses, damages, administrative costs, etc., are then paid from this fund. If you have contracted with an agent to administer claims, the activity of your agent account must be recorded in your general ledger in the self-insurance fund.

- d. The amount of **retained liability** means the amount of claims for which insurance coverage has not been prepaid either by insurance premiums or by contributions to a pool. In other words, these are the amounts for which your unit of government remains responsible.
- i. **Deductible** means the amount of each claim your unit must pay directly before the insurer or pool starts to provide coverage.
- ii. **Maximum coverage** means the highest amount of claims the insurer or pool will pay. The unit must pay for any claims beyond this maximum.

Units with MERS Pension Systems

(31) Units of government providing pension coverage to employees through the Municipal Employees' Retirement System (MERS) are to have the gross payroll (total earnings for retirement) for employees in the MERS system certified by their independent auditor. Enter the amount of the gross payroll subject to MERS in part VII of MI-2, line 525 or part VIII of MI-3, line 626.

Combining Investments

(32) Answer "Yes" if you purchase C of D's or other investments with money from two or more funds to purchase an investment of one hundred or one million dollars to obtain a higher interest rate. The interest earned is prorated to each fund.

Joint Investments

(33) Does your unit have an agreement with one or more governmental units to combine or pool money from the funds of each unit to purchase investments in multiples of one hundred thousands or one million dollars to obtain a higher interest rate? The interest earned is prorated to each unit based on the amount each unit invested.

Average Monthly Investment Balance

(34) If your unit combines or pools investments with money from two or more of your funds or with the money from other local unit's of government, compute the average monthly balance by totaling the actual amount invested on the last day of each for the reporting period. Divide that total by 12. Enter your quotient on page 7, line 511, form MI-2 or page 12, line 611, form MI-3.

Derivatives

(35) An accurate schedule reporting both pension fund and nonpension fund derivative investments at **fiscal year end** is statutorily required. A summary of the cost and market value of these investments in aggregate and an itemized list by issuer is required for both pension and nonpension funds. Investments of defined contribution plans and deferred compensation plans that **are chosen by the employee** participating in the plan can be excluded.

For purposes of this section, "Pension" includes a public employee health care fund as defined in the Public Employee Health Care Investment Act, 1999 PA 149, MCL 38.1211 to 38.1216.